Chapter 4

Provider issues

4.1 A particular focus for the committee in this report is the preparedness of providers to transition into a fee-for-service market. This chapter presents the committee's evidence from current and potential National Disability Insurance Scheme (NDIS) registered providers regarding the challenges and achievements they have had to date with the Scheme. The chapter commences by exploring government initiatives being progressed by the Commonwealth, National Disability Insurance Agency (NDIA) and states and territories to support sector development and targeted support. It then discusses the evidence from committee hearings and concludes with issues related to quality, safeguarding and price setting.

Table 4.1: Current NDIS service provider characteristics and market profile

Footprint	Allied Health	Disability Support	Disability Equipment	Plan Management	Total
National	62	69	55	34	76
State	1405	1256	1237	209	1881
Provider Type					
Australian Private Company	352	288	355	39	510
Australian Public Company	111	116	83	59	141
Family or Other trust	120	96	123	16	160
Incorporated Entity	256	289	122	100	307
Individual/Sole Trader	514	423	514	10	679
Other Private	23	25	16	8	32
Other Public	30	32	25	8	36
Partnership	61	56	54	3	92
Total	**1467**	**1325**	**1292**	**243**	**1957**

Source: National Disability Insurance Agency, *Quarterly Report to COAG Disability Reform Council*, 30 June March 2015, Table 1.2.5 p. 37.

4.2 The above table displays the characteristics and market profile of the current NDIS registered service providers. While the NDIS website does allow participants to find which providers operate in their area, and what services they provide, the NDIA quarterly report does not include provider numbers by state and territory.

4.3 The NDIA's eighth quarterly report notes that 96 per cent of registered providers operate in one state of territory only. Interestingly, the most common provider type is an individual or sole-traders presently at 35 per cent, followed by private companies at 28 per cent. This might suggest an increasing number of practitioners and carers opting to become providers in the Scheme. In addition, the NDIA notes that the majority of providers (84 per cent) are new in that they were not previously registered with DSS for other programs.

Background

4.4 The challenge disability support providers face to adapt their business models to embrace the opportunities presented by the NDIS is significant. To optimise the benefits available, registered providers will need to evolve their business practices to incorporate fee-for-service market-based systems. The gradual move away from state or federal block funding will cause many organisations to rethink their service delivery models to ensure their own sustainability. Some providers will opt to remain servicing their local community with little change. While elsewhere, the sector will grow significantly to incorporate the influx of new providers to meet the demand generated by the Scheme's ethos of choice and control.

4.5 Throughout 2014 and 2015 the committee heard evidence from across the trial sites, and through submissions, that the sector is not prepared and is struggling to meet the increased demand that will materialise as the Scheme rolls out nationally. While many issues and concerns raised by providers were often unique to their particular trial site, there were also considerable commonalities identified across sites.

4.6 The unequivocal message that the committee heard from providers was of a prevailing sense of uncertainty and unease when contemplating the seismic shift required providing services sustainably under the new system.

Sector readiness – strategic direction

4.7 In June this year the Disability Reform Council (DRC) [1] published its strategic vision of 'what a robust and mature NDIS market will look like and how it will function'. The *Integrated Market, Sector and Workforce Strategy* ("The Strategy") is the key framework designed to provide guidance to the NDIA, the Commonwealth and state and territory governments in implementing the NDIS.

4.8 The Strategy provides the overarching framework via a number of action plans to enable participants to exercise their choice and control to access quality supports and for providers to be able to adapt their business to innovate and provide these services.[2]

4.9 The disability sector has traditionally been supported, and funded through state and federal block funding arrangements which have underpinned service delivery and sector development. With the transition from these arrangements to the

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1 The Disability Reform Council oversees the trial and implementation of the NDIS and makes recommendations to Council of Australian Governments (COAG) on the transition to NDIS full scheme. Further information on the DRC is available at: https://www.dss.gov.au/our-responsibilities/disability-and-carers/programmes-services/government-international/disability-reform-council

2 Disability Reform Council, *Integrated Market, Sector and Workforce Strategy*, June 2015, available at: https://www.dss.gov.au/sites/default/files/documents/07_2015/ndis_integrated_market_sector_and_workforce_strategy_june_2015.pdf (accessed on 28 July 2015).

fee-for-service model, submitters expressed concern that this model alone may not be sufficient to support the sector as a whole to transition to full scheme.[3]

4.10 This sentiment was echoed by the Assistant Minister for Social Services, Senator the Hon Mitch Fifield when he spoke with the committee at the Canberra hearing in June, noting that there will need to be flexibility in how support is provided across the sector:

> When the NDIS was first conceived by the Productivity Commission everything was spoken about in terms of individual funding, which I think the scheme should always have as its prime delivery mechanism. But there has been a bit of an evolution over time as to where and when it might be appropriate for the agency to make a contribution in another way than through an individual…I do think that we need to keep an open mind, particularly in remote areas and areas with a high Indigenous population, such as the Barkly, as to what might be better or different delivery models. A model that might work in metropolitan areas might not necessarily work in those areas. I think it is important for governments and for the agency to keep an open mind about what we might do, what flexibility there might be, in different areas.[4]

4.11 In preparation for the NDIS, the Council of Australian Governments (COAG) agreed to four high level principles for the NDIS. Principle 3 outlines the overarching ideals for governance arrangements and notes at 3b that in pursuing a market-based system, awareness needs to be maintained regarding variations in support for different locations and client groups while maintaining choice.[5]

> [Governance arrangements should] maximise the benefits of a market-based approach to disability support services, including consideration of a costing structure that fosters competition and choice, and supports an individualised and localised approach and takes account of legitimate cost variations for different locations and client groups.

4.12 The Strategy is designed to outline the national policy position on the future structure of the market, the sector and its workforce, noting that achieving the twin

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3 See for example, Just Better Care, *Committee Hansard*, 27 March 2015, p. 15; DUO Services, *Committee Hansard*, 27 March 2015, p. 16; ACT Government, *Committee Hansard*, 27 March 2015, p. 45.

4 Assistant Minister for Social Services, Senator the Hon Mitch Fifield, *Committee Hansard*, 19 June 2015, p. 2.

5 Council of Australian Governments, High-level Principles for a National Disability Insurance Scheme, p. 3, available at: https://www.coag.gov.au/sites/default/files/NDIS_high_level_principles.pdf (accessed 5 September 2015).

aims of consumer choice and sustainability, as outlined in Principle 3b, will be influenced by the future market structure.[6]

4.13 Purposefully, the Strategy seeks to support the development of the market by focussing on three key actors; consumers, suppliers and the workforce to achieve its vision and subsequently will progress efforts to:

1. enable people with disability to plan and develop goals for a life they value and to exercise choice and control over their supports
2. develop a diverse and sustainable range of suppliers
3. ensure there is a diverse and flexible workforce supply to support people with disability into the future.[7]

4.14 The Strategy proposes that these action plans will be advised by Industry Advisory Groups whose role will include providing:

- feedback on particular topical issues or strategies
- consultation with organisations or groups on specific issues and potential actions
- strategic advice on issues associated with the achievement of actions set out in this strategy
- guidance on how suppliers can foster innovation and collaboration and build workforce capacity and supply
- advice on effective consumer advice mechanisms to give consumers, including families and carers, a voice and meet the needs of particular groups such as Indigenous people with disability and people with mental health conditions.[8]

4.15 The Strategy acknowledges and hopes to leverage off the existing work of states and territories in assisting the sector prepare for full scheme.[9]

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6 Disability Reform Council, *Integrated Market, Sector and Workforce Strategy*, June 2015, p. 7, available at: https://www.dss.gov.au/sites/default/files/documents/07_2015/ndis_integrated_market_sector_and_workforce_strategy_june_2015.pdf (accessed on 28 July 2015).

7 Disability Reform Council, *Integrated Market, Sector and Workforce Strategy*, June 2015, p. 6, available at: https://www.dss.gov.au/sites/default/files/documents/07_2015/ndis_integrated_market_sector_and_workforce_strategy_june_2015.pdf (accessed on 28 July 2015).

8 Disability Reform Council, *Integrated Market, Sector and Workforce Strategy*, June 2015, p. 6, available at: https://www.dss.gov.au/sites/default/files/documents/07_2015/ndis_integrated_market_sector_and_workforce_strategy_june_2015.pdf (accessed on 28 July 2015).

9 Disability Reform Council, *Integrated Market, Sector and Workforce Strategy*, June 2015, p. 16, available at: https://www.dss.gov.au/sites/default/files/documents/07_2015/ndis_integrated_market_sector_and_workforce_strategy_june_2015.pdf (accessed on 28 July 2015).

4.16 The key areas of action outlined in the Strategy will be managed mostly by the NDIA on the ground and supplemented by federal, state and territory governments. All of these activities may be supported by the Sector Development Fund (SDF) which the Government transferred back to DSS as part of the 2015-16 Budget deliberations.[10]

4.17 Policy responsibility to develop support for the sector and the market to ensure effective transition will now rest with DSS and DRC.

Sector Development Fund

4.18 The Sector Development Fund (SDF) was established and run by DSS during 2012–13. The Department determined the initial outcomes and priorities for the fund in consultation with state and territory governments.

4.19 The SDF guidelines state that the program aim is:

> to support the market, sector and workforce to transition to the new NDIS operational environment of full scheme by funding activities that assist individuals and organisations so:
>
> • there is an efficient, responsive and innovative market that meets the diverse needs of people with disability and their families
>
> • people with disability are able to effectively exercise choice and control to shape the nature of the market.
>
> The [SDF program] strategy ensures projects do not duplicate any activity previously or currently funded by State or Territory governments or the projects managed by the Department.[11]

4.20 As illustrated by the evidence the committee received across the country, the preparation for the transition from current funding and administration arrangements to the NDIS model is a fundamental task for the Scheme. This preparation is as important in areas that have yet to enter the Scheme, such as Queensland, as it is in areas where trial sites are currently operating. To assist in this transition, the NDIA, DSS and jurisdictions are supporting initiatives under the Strategy to help providers prepare their businesses for transition. The SDF underpins many of these programs.

4.21 Disability services delivered through the grant and block funding model are mostly designed and delivered on a one-size fits all basis, rather than to the needs of the single individual. Under the NDIS the needs of the participant are meant to drive service delivery, and providers will have to adapt and work under a fee-for-service purchaser/provider model to enable people with disabilities to exercise their choice

10 NDIA, answer to written questions on notice, *NDIA SQ15–000006,* February 2015 (received 15 April 2015).

11 Department of Social Services, *Sector Development Fund - Strategy and operational guidelines,* June 2015, p. 5.

and control over which services they receive. The SDF focus is to support providers undertake this transition.[12]

4.22 According to DSS, this will require a significant effort because a 'substantial proportion of existing service providers are unlikely to operate effectively in the new environment without significant transformation.'[13]

Sector development spending

4.23 The SDF guidelines state that the funding profile for the SDF is:

> …approximately $146 million…set aside…from 2012–13 to 2016–17.[14]

4.24 The guidelines note that 'each state and territory was provided with SDF funding to undertake sector development activities tailored to each jurisdiction's unique market environment in preparation for trial and full scheme commencement.' Currently, DSS note, '$19.5 million has been or will be provided to the state and territory governments for their own activities.'[15]

4.25 Figures provided by the NDIA at Additional Estimates 2014-15 show that a total of $46.16 million had been expended or contracted to date. Of this amount the states and territories have received grants totalling just over $19.1 million.[16] These funds have been allocated to support particular projects, or as specified in memoranda of understanding between the state or territory and the NDIA as shown in Table 4.2:

12 Department of Social Services, *Sector Development Fund - Strategy and operational guidelines,* June 2015, p. 5.

13 Department of Social Services, *Sector Development Fund - Strategy and operational guidelines,* June 2015, p. 6.

14 Department of Social Services, *Sector Development Fund - Strategy and operational guidelines,* June 2015, p. 6.

15 Department of Social Services, *Sector Development Fund - Strategy and operational guidelines,* June 2015, p. 6.

16 NDIA, answer to written questions on notice, *NDIA SQ15–000006, Attachment A,* February 2015 (received 15 April 2015).

Table 4.2: Sector development funds to states and territories[17]

State/ Territory Government	Amount
ACT Government – MOU (Tier 2 funding)	$3,700,000
ACT Government – MOU	$12,000,000*
New South Wales Government	$500,000
Queensland Government – MOU	$500,000
Victorian Government	$500,000
Northern Territory Government	$500,000
South Australian Government	$490,000
Western Australian Government	$500,000
Tasmanian Government	$455,000

*Including $1,270,270 not yet included in the MOU

4.26 In addition to the SDF support, states and territories are committing funds to assist the sector increase its readiness. For example, the committee heard that on top of $70 000 contributed by the NDIA through the SDF, the Queensland Government provided an additional $280 000 to National Disability Services to engage providers in readiness workshops.[18]

> An allocation of those dollars was for NDIS readiness for the disability sector, and it was divided between people with disability, their families and providers. Part of that was the development of a business development package, and I was managing that project at the time, so we have that available to the whole of the community services sector, not just disability, and in 2013 and early 2014 we ran a whole range of NDIS readiness workshops and things like that. That covers that initiative, which ended in June last year. The state government funded NDIS an allocation of money—$280,000—to provide one-to-one support to disability service providers in 2014-15. It is a fairly prescriptive piece of work running so many workshops—14 workshops across the state—and then some one-to-one support to assist providers to do their own self-assessment work, if you like, around readiness.[19]

4.27 The committee heard that the total allocation Queensland had received from the SDF as of March 2015 was $500 000. Queensland Government representatives told the committee that they anticipated receiving around 20 per cent of the total funds available in the SDF [$146 million],[20] which would mean that the state would expect to receive around $30 million.

17 NDIA, answer to written questions on notice, *NDIA SQ15–000006, Attachment A,* February 2015 (received 15 April 2015).

18 Ms Lisa Fraser, National Disability Services, *Committee Hansard,* 13 March 2015, p. 32.

19 Ms Lisa Fraser, National Disability Services, *Committee Hansard,* 13 March 2015, p. 32.

20 Mr Tony Hayes, Department of Communities, Child Safety and Disability Services, *Committee Hansard,* 13 March 2015, p. 52.

> But bringing out serious investment in the sector needs to come from that sector development fund. [21]

Sector development fund design

4.27 The SDF is expected to deliver a number of outcomes and is designed to address supply and demand issues in the Scheme. There are five primary outcomes and two secondary outcomes.

Primary outcomes

- Outcome 1 – Building community capacity and engagement
- Outcome 2 – Increasing individual capacity and increasing new forms of support
- Outcome 3 – Building disability sector capacity and service provider readiness
- Outcome 4 – Expansion and diversification of the workforce
- Outcome 5 – Building the evidence base

Secondary outcomes

The secondary outcomes are designed to underpin all the outcomes:

- Outcome A – Emerging priorities and innovation
- Outcome B – Quality and safeguards

4.28 Primary Outcome 1 is designed to support projects that build community capacity to support the transition to full scheme. This will include funding projects that increase community awareness and acceptance of the Scheme.

4.29 Outcome 2 is focussed on increasing the capacity of people with disability and their families to exercise their right under the Scheme to choice and control of service provision. To do this effectively, individuals and their families and carers will need to be supported to access and engage the market for the supports they require. The SDF will therefore consider applications that:

- Improve understanding of the operation of the NDIS and the principles which underpin it.
- Build the capacity of people with disability and their families to exercise choice and control.
- Encourage and enable people with disability to move towards greater independence, self-management and meaningful community inclusion.
- Encourage innovation in the way supports are delivered or can be accessed.[22]

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21 Mr Tony Hayes, Department of Communities, Child Safety and Disability Services, *Committee Hansard,* 13 March 2015, p. 52.

4.30 Outcome 3 concentrates on the development of the market, and increasing the capacity and readiness of the sector to meet the demands for full scheme. There are many facets involved in the development of a market, from support for existing providers in areas such as training and assistance with business development. The SDF emphasises the limits of government in developing the market, and instead offers support to providers themselves to develop this capacity and innovation. Providers will be supported in projects that:

- Develop the capacity of existing providers to transition to the NDIS in the short term and to develop business models responsive to individualised funding in the medium term to contribute to scheme sustainability.
- Improved organisational capacity to understand and respond to changing consumer demand.
- Improved organisational understanding of cost structures, cash flows, costs models to ensure adaptation to individualised funding.
- Development and promotion of models of shared service to ensure economies of scale.
- Examine and support innovative approaches to disability support, particularly for accommodation supports.
- Cross sector areas including Indigenous/rural/remote, health, ageing and education.[23]

4.31 Outcome 4 concentrates on expanding the workforce required to service the Scheme. According to DSS the workforce will need to double to 162 100 FTEs, and will need to be more flexible to work in a person-centred environment. Specific focus under this outcome will be on projects that look to increase the supply of allied health professionals and workforce levels in rural and regional Australia. Projects that may be funded include those that:

- Examine and implement strategies to ensure growth of the workforce.
- Examine and implement strategies to ensure current and new care workers are attracted to diverse and flexible opportunities
- Design and test new work roles and related models of supervision, enable the more flexible use of the workforce and enable improved outcomes through the use of technology.
- Examine and support mechanisms to ensure workforce planning and supply – such as how to support existing providers to undertake

22 Department of Social Services, *Sector Development Fund - Strategy and operational guidelines,* June 2015, p. 8.

23 Department of Social Services, *Sector Development Fund - Strategy and operational guidelines,* June 2015, pp 9–10.

effective planning and efficient workforce use, and how to encourage innovation and change.

- Examine means of driving and shaping demand by building the capacity of people with disability and their families to become active, engaged and assertive consumers
- Provide on the ground support to assist providers and their workforce to transition successfully.[24]

4.32 Finally, Outcome 5 looks to support projects that increase the evidence base to allow governments and organisations to make informed decisions around the expansion of the sector. The SDF will therefore consider projects that:

- Invest in developing quality data sources and streams for people with disability, service organisations and the governments.
- Ensure that information on demand/population and service data is available to providers or prospective providers to highlight market opportunity and support strategic provider investment in specific market segments.[25]

4.33 The secondary outcomes are 'Emerging priorities and innovation' and 'Quality and safeguards'. As indicated, these two outcomes cut across and underpin the other outcomes. The first of the secondary outcomes is intended to facilitate learning across the sector from the transition phase and allow innovative ideas and practices to be shared. The committee notes that funding for this under the SDF will be similar to the earlier Practical Design Fund.

4.34 The last secondary outcome focusses on ensuring that new quality and safeguards dovetail with a new national quality and safeguarding framework for the Scheme that is currently being negotiated across all jurisdictions. It is noted that SDF may provide funding to projects that advance this exercise.

4.35 The committee notes the Strategy and the SDF and their role in providing both the policy framework and the financial support. The committee also encourages the jurisdictions to maintain their additional support to assist in ensuring providers are able to navigate the transition to full scheme successfully.

Transition assistance for existing providers

4.36 This section commences the committee's discussion and examination regarding the evidence it took from hearings and submissions related to the providers and market development. While noting the above Strategy and SDF, a key concern of the committee and focus for the transition period is how the market is actually being developed to support the Scheme.

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24 Department of Social Services, *Sector Development Fund - Strategy and operational guidelines,* June 2015, p. 10.

25 Department of Social Services, *Sector Development Fund - Strategy and operational guidelines,* June, 2015, p. 10.

4.37 The Strategy's Action Area 2 – *Developing a diverse and sustainable range of suppliers* is tasked with addressing this issue. The key areas of action reflect many of the issues raised by the sector and providers with the committee as part of its evidence gathering process. The action areas and the evidence that the committee has received over the last year is considered in the following sections.

Provider capacity concerns

4.38 The committee heard from a number of witnesses across the country that were concerned about the scale of the task and the resources that might be required to achieve the transition. At the committee's Brisbane hearing, National Disability Services (NDS) in Queensland voiced concerns of their member organisations that they do not have the resources required for the transition without impacting directly on service delivery:

> The other commentary that was being made was that there is a range of resources that we require to be able to do this complex change…What they were saying to me was that we have got a range of resources that were built up over time, but we actually provide that resource into a service delivery. That is our aim. We have got a mission; mission is important and quality is important. We spend our money on that and we do not have a lot of resource left over to make the sorts of significant changes—probably changes that we will never see again in our lifetimes—to be able to design our business models differently.[26]

4.39 NDS argued that disability services in Queensland have not been resourced adequately to enable them to build a reserve that would allow organisations to adapt their business models. Consequently, the transition will need to be funded from outside the organisations:

> We have tried to use the current resources in this state, which are inappropriate and, to be quite frank with you, its not enough to be able to make these significant changes across our whole organisation, to manage the change effectively… We need the government, state and federal, to stump up efficient and effective resources so that we can actually change our business models to a very different business model from what we are used to. We are a very strong sector. We have, we believe, a very secure future. But we need information and we need some resources to help us to manage that. We are the heart of the market.[27]

4.40 Koomarri, a service provider in the ACT, informed the committee of their $500 000 investment in IT and infrastructure to prepare for the new business environment under the NDIS. However, they also highlighted the difficulty organisations face in retaining reserves to invest, intimating that often they are compelled to return funds in the event of underspends:

> We have invested $500,000 in IT and infrastructure in the last 12 months to enable us to be able to operate in this new environment. If we have

26 Mr Richard Nelson, National Disability Services, *Committee Hansard*, 13 March 2015, p. 31.

27 Mr Richard Nelson, National Disability Services, *Committee Hansard*, 13 March 2015, p. 31.

> reserves, that is great. We are not an organisation that has previously been focused on retaining reserves—in fact, we have always handed it back in lots of cases because that is the nature of how we were created.[28]

4.41 The Autism Association operating in Perth also contended that while providers themselves are investing heavily in the transition process, this is currently unfunded and unsustainable in the long run:

> I do not think it is sustainable in the long term. Some of those families require 15 to 25 hours of support to transition into the meeting with the planner. We have had the Autism Advisor Program in the Autism Association, so we have been working with families for a long time to understand what they actually need to develop their capacity to link into local community supports and to understand different funding models. I just wanted to make the point that there is a lot of work being done at the provider end to support families to transition to the NDIS.[29]

ACT Government approach

4.42 The committee heard that the ACT Government have developed a range of options to assist providers with their transition to the Scheme. These include a number of grant programmes as well as tender process for coordination services to 'build their NDIS readiness'.[30]

4.43 This approach has caused some controversy with ACT service providers. Focus ACT acknowledged the ACT Government's intent in supporting service providers but asked for greater flexibility in how support was provided:

> Government does not want disability support providers to fail during the NDIS transition. However, providers are concerned that the ACT government's proposed tender for NDIS will adversely impact on the capacity or willingness of government support to organisations…We are asking for greater flexibility. Many organisations are at different stages of their transition and so, rather than having the ACT government decide what they will and will not fund, we want flexibility to use that funding to make those changes.[31]

4.44 The ACT Government explained that one of the tender processes was established to provide block funding to organisations to manage the transition of early intervention services out of mainstream education services.[32] The successful six tenderers were announced in September 2014 to provide a range of services previously delivered by the ACT Government.

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28 Ms Miranda Garnett, Koomarri, *Committee Hansard,* 27 March 2015, p. 6.

29 Ms Tasha Alach, Autism Association, *Committee Hansard,* 9 April 2015, p. 18.

30 ACT Government, *National Disability Insurance Scheme, Latest News,* available at: http://www.communityservices.act.gov.au/disability_act/national_disability_insurance_scheme (accessed on 4 August 2015).

31 Mrs Tina Siver, Focus ACT, *Committee Hansard,* 27 March 2015, p. 2.

32 Mrs Tina Siver, Focus ACT, *Committee Hansard,* 27 March 2015, p. 43.

4.45 The ACT Government outlined that they had distributed two rounds of sector development grants; one to assist providers transition to a fee-for-service model and another focussed on maintaining existing services and developing a market to prevent gaps in service:

> We had two separate packages of business development. The first one was a small package of $20,000 per provider…which enabled them to get consultancy advice on their current business state and were given advice on how to transform themselves from a not-for-profit provider into a business that could move on a fee for service basis.[33]

> …Then we had a smaller range of $50,000 packages where we had an assessment panel…The assessment panel looked at the reasons that organisations said that they required the funding. Most particularly, those organisations had to already be a provider of disability services, because we needed to maintain a market…to make sure that we did not lose some of our service provision. We were also looking to encourage services that were prepared to extend out into areas where there were market gaps.[34]

Assessment and therapy issues in WA

4.46 The initial problems in transferring mainstream services to NDIS providers are also apparent in WA. Therapy Focus told the committee of their experience in trying to assess the business potential for providing their services under both MyWay and the NDIS. According to Mr Williams, the Regional Manager for Therapy Focus, there are structural issues with how MyWay assesses participants. MyWay currently does not include an assessment component in their plan, making it difficult for service providers to know what the need is and what services might be required:

> Our understanding of the way the My Way coordination happens down here is that there is no assessment facility within the planning for therapy. The people will come into the My Way planning and I guess they might identify that they have certain needs, but then there is not that capacity for an assessment component. In our discussions with participants, we are not quite sure how they end up with therapy in their plan. Again, that makes it quite difficult for us to scope the business potential.[35]

4.47 Dr Chalmers from the WA Government explained that the therapy assessments in regional WA are currently managed by the health department rather than the disability services commission, but they will gradually be transitioned into MyWay plans:

> [A]t this point, we are in heavy-duty transition mode from those individuals, children and adults, from the health department across into these plans and we are working on that. We probably have a couple of

33 ACT Government, *Committee Hansard,* 27 March 2015, p. 44.

34 ACT Government, *Committee Hansard,* 27 March 2015, p. 44.

35 Mr Evan Williams, Therapy Focus, *Committee Hansard,* 8 April 2015, p. 7.

> hundred still to go. That is a transition issue. There will be no difference between the Perth metro area and the regional areas of WA.[36]

4.48 Despite these assurances, there remained an element of confusion over which body is responsible for the provision of assessment and inclusion of therapy in a participant's plan. Ms Dawn Brodie from the Ability Centre recounted her experience with MyWay coordinators who told her that assessments, and therapy services were going to continue to be delivered by the Western Australian Country Health Service (WACHS) and not through MyWay:

> We are one of the organisations who are trying to set up therapy services down in the lower south-west and one of the 35 that have been alluded to. We are finding it very difficult to do this because, in the early phases, there were no therapy goals in the plans. The reason there were no therapy goals in the plans, we were told, was that the My Way coordinators had the impression that all the therapy services were going to carry on through the Western Australian Country Health Service and the regional therapy team.[37]

4.49 Moreover, Ms Brodie suggested that there was confusion about which organisations would provide therapy, even if it was included in a MyWay plan:

> I think there is an additional issue, in that what we are finding with WACHS is that sometimes, for example, if a child needs to have speech pathology services, instead of going to organisations that may have already been providing some of these therapy supports, WACHS is actually going to private practices for speech pathology—hence, outside of the My Way therapy-providing organisations.[38]

4.50 In response to the committee's request to clarify the assessment and therapy situation in WA, WA's Disability Services Commission (DSC) reiterated their evidence in the hearing, that while the majority of assessment and therapy are currently delivered through WACHS, the intention is for them to be transitioned to MyWay service providers. However, DSC maintained that all therapy contained in plans that is not delivered by WACHS is going through registered MyWay providers.[39]

Sector readiness in Queensland

4.51 In Queensland the committee heard from a number of providers who were also looking for increased certainty, particularly the timeframe for the rollout of the Scheme. Montrose Access, who provide a number of therapy and respite services, were concerned that without further details around the rollout dates they would find it very difficult to prepare adequately to provide the services required:

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36 Western Australia Disability Services Commission, *Committee Hansard*, 8 April 2015, p. 7.

37 Ms Dawn Brodie, Ability Centre, *Committee Hansard*, 8 April 2015, p. 9.

38 Ms Dawn Brodie, Ability Centre, *Committee Hansard*, 8 April 2015, p. 9.

39 WA Disability Services Commission, answer to question on notice, received 29 May 2015.

> The first issue is having certainty about the rollout in Queensland. As I mentioned, we have got a good plan but, without the certainty around time lines, the nature of trials and potential cohorts, it is very, very difficult for us to put in place, with the degree of certainty that is necessary to ensure that we will be as responsive as the NDIS requires, and can ensure that we set up sustainable business operations for the future.[40]

4.52 Townsend Buses in Queensland provide school bus services to students with disabilities across the South-East of the state. They submitted to the inquiry their concerns about the impact the NDIS would have on their business, particularly as decisions over whether transporting children with disabilities would fall under the purview of the NDIS, or whether it would remain the responsibility of mainstream state government departments:

> Our concerns were raised late last year, when we were made aware that the NDIS could affect our contracts and how the students would get to school in an open market situation. Previously, we were under the impression that the NDIS would not be part of the funding of the transport of students with disabilities, but that, as far as we know, is still to be decided.[41]

4.53 In response to the evidence around the uncertainty of the Queensland approach to the Scheme, the Queensland Government expressed its strong support for the NDIS and outlined the plans they already had in place to facilitate the state's entry into the Scheme:

> Without a doubt, the Queensland government is absolutely fully committed to the scheme and, indeed, will roll out the NDIS with the Commonwealth by 2019…We have broken our work up into a number of different planks or domains of work. One is about 'whole of government' preparedness; one is about data readiness, which is very important for the scheme going forward; one is departmental readiness, which is our department; and there is also workforce readiness, provider readiness, participant readiness—and overlaying that with a stakeholder engagement communication strategy going forward.[42]

4.54 On the specific issue of provider readiness, Mr Hayes from the Department of Communities, Child Safety and Disability Services in Queensland described the issue for them in transforming the way service providers will be expected to do business when the Scheme rolls out:

> I will go on to provider readiness. They are all important pieces, but this one is important to the extent that the shift and the change for providers in terms of the funding arrangements—from being money in advance, in terms of the way grants were paid, to now being more of a claiming model with

40 Professor Linda Apelt, Montrose Access, *Committee Hansard,* 13 March 2015, p. 38.

41 Mr John Townsend, Townsend Buses, *Committee Hansard,* 13 March 2015, p. 41.

42 Queensland Government, *Committee Hansard,* 13 March 2015, p. 49.

> retrospective payments, usually a fortnight in arrears. It is a very different business concept.[43]

4.55 Mr Hayes provided examples of some of the things the government were doing to assist the transition, as well as emphasising the importance of the Sector Development Fund in facilitating this:

> We have had NDS and the Health and Community Services Workforce Council working around self-assessment tools, organisational development training modules and business development resources, about how to run the NGOs in a more businesslike manner…In addition to that we have got some work with the Nous group who have actually been assisting us to look at the different switch and the way the model will work now—the different expectations that clients will have, in the new model, of the provider and preparing them for those dynamics, which are quite different to what has been historically. Those tools and methods will be finalised very shortly.
>
> We see that the sector development fund is a very important feature of bringing the sector with us, ensuring that they are well prepared.[44]

Indicators and approaches to ensure supply of supports in critical areas

4.56 The Department of Social Services' *Integrated Market, Sector and Workforce Strategy* tasks the NDIA with building a robust framework to monitor local sector capacity, including the development of indicators of supply gaps. This will encompass dedicated provision for 'better or different delivery models' for specific cohorts in trial sites and local areas. Such cohorts include Indigenous and culturally and linguistically diverse (CALD) people with disabilities and rural and remote areas as mentioned by Minister Fifield.[45] The committee also notes the recent report from the NDIS Independent Advisory Council in response to Recommendation 2 of the committee's 2014 report. The report looks specifically at gaps in service across a number of areas and sets out the current work being undertaken to address those gaps.[46]

4.57 The importance of advocacy for people from Indigenous and CALD communities was raised a number of times by advocacy groups across the country. Amparo Advocacy, who operate in Queensland, told the committee that there is a failure of current disability support systems for CALD communities and that this can be attributed to the lack of culturally specific access assistance, thereby excluding already marginalised communities:

> The majority of individuals that we work with and assist are from a refugee background where they and their families are experiencing multiple and

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43 Queensland Government, *Committee Hansard*, 13 March 2015, p. 52.

44 Queensland Government, *Committee Hansard*, 13 March 2015, p. 52.

45 Assistant Minister for Social Services, Senator the Hon Mitch Fifield, *Committee Hansard*, 19 June 2015, p. 2.

46 NDIS, Independent Advisory Council, *Response to the Joint Standing Committee on the National Disability Insurance Scheme on gaps in service*.

> complex layers of disadvantage. They are often marginalised and not accessing mainstream or disability-specific services until their circumstances reach a point of crisis. A major reason for this is the failure of the disability and mainstream services to develop cultural competence at all levels of service delivery and to embrace the principles of substantive equality and non-discrimination. The concept of disability and the operation of Australian systems such Disability Services are often unfamiliar and not understood by people from CALD backgrounds, those from new and emerging communities.[47]

4.58 Amparo continued that they would like to see 'targets set by the NDIA for participation rates' and adopt 'specific strategies to ensure those target rates for participation are people from CALD backgrounds in the NDIS.'[48]

4.59 The First Peoples Disability Network (FPDN) questioned the assumptions around access to the Scheme for Indigenous people and how the Scheme was being designed on the back of these assumptions. From an Indigenous perspective, FPDN agreed with Amparo on the need for equity and access targets:

> We think the approach taken at present is the assumption that people are fully aware of what is going on and they know the system, so a lot of the indicators they are looking at are addressing that. But they are not actually looking at the fundamental issue around access to the scheme in the first place. That is a big gap, and, if you look at how they are going about this quality assurance process, you need to build in at the start some equity and access targets. A lot of work has been done in our sector on building access targets through Indigenous working groups, but that has been suspended.[49]

4.60 FPDN recommended that a solid research base be funded to inform assumptions that underpin targets for Aboriginal and Torres Strait Islander people with disabilities:

> The lack of good data and research on Aboriginal disabilities makes it very difficult to come up with the perfect target from the outset; however, to get a sense of where we are compared to where we should be, we can calculate a starting benchmark based on the proportion of people with disability who are Aboriginal or Torres Strait Islander.[50]

4.61 The committee heard that CALD and people from Non-English Speaking Backgrounds (NESB) were underrepresented in the current numbers transitioning into the Scheme. The National Ethnic Disability Alliance (NEDA) estimated that around 25 per cent of current participants should be people from CALD and NESB communities, but the current number is closer to three or four per cent:

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47 Ms Maureen Fordyce, Amparo Advocacy, *Committee Hansard*, 13 March 2015, p. 5.

48 Ms Maureen Fordyce, Amparo Advocacy, *Committee Hansard*, 13 March 2015, p. 6.

49 Mr Scott Avery, First Peoples Disability Network, *Committee Hansard*, 27 March 2015, p. 74.

50 Mr Scott Avery, First Peoples Disability Network, *Committee Hansard*, 19 June 2015, p. 14.

> [T]he current statistics with regard to CALD and NESB people is that, of all the people who have transitioned into the NDIS so far, only three to four per cent are from a CALD or NESB community or background, when it should be around 25 per cent. CALD and NESB people are not taking up the NDIS, and the reason is that the message is not getting through to them. We have been saying for a long, long time that the NDIA have to really develop a strategy to engage the CALD and NESB community.[51]

4.62 The most recent, [eighth] NDIA Quarterly Report notes that:

> Of the 19,817 active and inactive participants, 17,303 have received an approved plan. Of the participants with approved plans, 4% are Aboriginal and/or Torres Strait Islander and 4% Culturally and Linguistically Diverse (CALD).[52]

4.63 The report also notes that:

> There has been an increase in the number of Aboriginal and/or Torres Strait Islander participants in the scheme across all trial sites in the June 2015 quarter compared with the March 2015 quarter (with the exception of a slight reduction in the Australian Capital Territory trial site) – some of this increase is likely to be due to improved reporting.[53]

4.64 The NDIA has noted in a number of its quarterly reports that there are fewer than expected Indigenous participants registered in the trials sites. One reason for this relates to a data identifier for Indigenous status that has not been filled out in a significant number of NDIS records—the Agency notes that this is slowly being rectified.

4.65 While there is under reporting of Indigenous participants, FPDN also contend there is underrepresentation in the actual forecasting of Indigenous numbers for the Scheme. FPDN translated the impact of this underrepresentation into actual costs. Mr Griffis from the Network estimated that nationally, Indigenous people make up 5.1 per cent of the total Australian population with a disability. This translates to expenditure in the region of $1.1 billion once the Scheme is fully operational,[54] and does not take into account the recognised issue with underreporting of disability within Indigenous communities which has serious financial consequences if not ameliorated:

> That is not a perfect figure, because we have the underreporting on disability to deal with too. Not only does this illustrate how significant Aboriginal disability is; it also represents the size of the financial risk of the

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51 Mr Dwayne Cranfield, National Ethnic Disability Alliance, *Committee Hansard,* 27 March 2015, p. 75.

52 National Disability Insurance Agency, *8th Quarterly Report to COAG Disability Reform Council*, 30 June 2015, p. 18.

53 National Disability Insurance Agency, *8th Quarterly Report to COAG Disability Reform Council*, 30 June 2015, p. 18.

54 Mr Damian Griffis, First Peoples Disability Network, *Committee Hansard,* 19 June 2015, p. 15.

> scheme, if strategies are not addressed from the very outset for Aboriginal and Torres Strait Islander people.[55]

4.66 FPDN and others also questioned the veracity of the estimates of the numbers of people with a disability in the Barkly trial site, contending the actual figures could be almost five times more than the NT Government's figures:

> With regard to the NT, as we have mentioned before, our concern there is about to under-reporting of disability. The data that has been presented from the Northern Territory, we would argue with very significantly. We would say that, at full launch within the Barkly, there would be at least 230 Aboriginal people that should qualify for the scheme—not the figure of 50 or so that gets mentioned.[56]

4.67 Providers in the Barkly region also suggested that the final number of participants would exceed the current estimates. When asked what the final figure could be in the region, Mr Whatley from Darrin's Mechanical Repairs, responded that it could exceed 300 people:

> That is with all the communities and the main support of getting out to them in a timely period and the access into the township of Tennant Creek. In excess of 300. We set a good boundary at 150. The NDIS did. It sits just over 50 at the present stage, with a lot more work. But these care plans are not taken likely and they do not happen overnight.[57]

4.68 Anecdotal evidence taken in Tennant Creek from different Indigenous community groups suggested that the numbers could be double Mr Whatley's estimation.

4.69 The Minister for Disability Services, the Hon. John Elferink, gave evidence to the committee and was adamant that the NT Government's figures were accurate. The NT Government estimates that by full roll out the Barkly region will have between 56-60 people in the Scheme. However, the Minister was concerned that the NDIA had found an additional 18 people who had identified as disabled and were not previously considered as such by the NT Government:

> One of the things that I noticed that the NDIA did was actually go out and harvest another 18, which we did not know about. I am not quite sure how you go and harvest people with disabilities who, up to that point, were not describing themselves as disabled.[58]

4.70 In response to the Minister's claim that an additional 18 people had been 'harvested', the NDIA stated that the people had been identified as requiring disability supports through engagement with local communities and stakeholders in the Barkly region:

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55 Mr Damian Griffis, First Peoples Disability Network, *Committee Hansard,* 19 June 2015, p. 15.

56 Mr Damian Griffis, First Peoples Disability Network, *Committee Hansard,* 19 June 2015, p. 15.

57 Mr Darrin Whatley, Darrin's Mechanical Repairs, *Committee Hansard,* 21 July 2015, p. 8.

58 Hon. John Elferink, Minister for Disability Services, NT Government, *Committee Hansard,* 21 July 2015, p. 29.

> We have engaged across the Barkly trial site, in Tennant Creek and the eight other more remote communities across the Barkly. We have engaged with those communities, with traditional owners, with providers, with local government there and with education. Through that process and through raising the awareness of the scheme—leaving aside the challenges of that—we have brought in those additional people. If you look at the proportion of children who have come into the scheme, certainly we have done quite a lot of work there under the early-intervention provisions of the scheme.[59]

4.71 One of the core principles of the NDIS, the focus on the individual, was questioned in relation to how effectively it can be applied in Indigenous communities where family and the wider community tend to be intimately involved in many aspects of a person's life. Queenslanders with Disability Network suggested more work needs to be done in remote Indigenous communities around issues like these:

> Issues that Indigenous people have raised with us, or Indigenous people with disabilities and their families have raised, come around core NDIS concepts such as the NDIS's focus on the individual and their needs and individual choices and control in decision making. In many Indigenous communities, especially rural and remote communities, the focus is upon the person as part of the family and the community, and the discussion is a community discussion, not necessarily one solely with the person.[60]

4.72 The ACT Disability and Aged and Carer Advocacy Service reported a significant difference in the outcomes of the NDIS planning process in the ACT if clients from Indigenous and CALD communities had an advocate supporting them through the process, particularly around language:

> A comment was made by the person sitting behind me about new language that families and individuals do not necessarily understand or are comfortable using. That creates a significant barrier for people to argue their case effectively…Those issues about the language can pose significant barriers to people's feelings of confidence and empowerment in the system. We are also finding that particularly for our CALD and Indigenous clients having an advocate supporting them through the planning process has made a big difference to the outcomes.[61]

4.73 The Queensland Government explained that they are working with remote Indigenous communities and had engaged Pricewaterhousecoopers to develop an engagement plan for the NDIS. The Queensland Government noted that they would be acting on that engagement plan on top of the general engagement they have with those communities:

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59 Ms Anne Skordis, National Disability Insurance Agency, *Committee Hansard,* 21 July 2015, p. 33.

60 Ms Paige Armstrong, Queenslanders with Disability Network, *Committee Hansard,* 13 March 2015, p. 27.

61 Mrs Fiona May, ACT Disability and Aged and Carer Advocacy Service, *Committee Hansard,* 13 March 2015, p. 28.

> We had Pricewaterhouse come in and assist us with some service engagement models, et cetera, and what comes with that is an engagement model. We are about to work with the LACs in those areas to then work through a process of connecting to those communities progressively over the next six months with a view to elevating the presence and the knowledge in those hard-to-get-to communities and hard-to-get-to cohorts.
>
> The body of work that sits over the top of that general communication into the discrete communities is this work that we worked through about developing engagement models for Indigenous communities, but also rural and remote communities.[62]

4.74 The FPDN raised the issue of the an Indigenous Reference Group which they say has been promised, but has yet to be realised:

> [T]here were plans to establish an Indigenous reference group under the scheme, and we have been waiting probably for six months for that to happen. We keep being reassured that it will happen. There is a rural and remote committee and we do have representation on that, but for obvious reasons we need a stand-alone committee that sits separately from that. There has been talk of that happening, but it has not been implemented yet. That needs to happen really quickly.[63]

Operating in remote communities

4.75 According to providers looking to service the Barkly trial site in the Northern Territory, the sparsity of population and the relatively low number of participants has the potential to cause significant problems to the development of business models. Mr Croker from Keep Moving, a service provider in the region, described the difficulties in delivering services in remote areas:

> I think overall the Territory itself is unique but the commonality is that there are not many people and there is a bloody big area. That means that it is difficult for us to achieve economy of scale or critical of mass to be able to deliver services and be economically viable. Barkly is fly-in fly-out for most businesses because the Barkly just does not have a critical mass to set up an operation like Keep Moving.[64]

4.76 Despite these difficulties the committee heard that providers were gearing up to provide services across the territory, and many were developing innovative, diverse operations to try and alleviate the limited economies of scale present in the Northern Territory. Mr Darrin Whatley is a carer of a child with disability, and also runs five businesses providing various services and supports for people with disabilities. He described some of his activities:

> **Mr Whatley:** We actually started because of the child we had in care, because we could not get equipment and aids for babies in the Barkly

62 Queensland Government, *Committee Hansard*, 13 March 2015, p. 57.

63 Mr Damian Griffis, First Peoples Disability Network, *Committee Hansard*, 27 March 2015, p. 74.

64 Mr Cameron Croker, Keep Moving Pty Ltd, *Committee Hansard*, 21 July 2015, p. 10.

> region. It is pretty full-on. That is only two of them. And we are working jointly with other providers—
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> **Ms HALL:** In partnership.
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> **Mr Whatley:** Yes. We are in partnership with Keep Moving in the Barkly region, for exactly what I said about having providers being able to service those areas. We will soon open up, through OT, one of the offices for visiting providers whom we have had a lot to do with over the past few years. Our office will then become a place they can use as a provider for children or people with disabilities…[65]

4.77 Mr Croker from Keep Moving, was concerned that because the NT Government was the only entity that was able to provide services across all of the region, this left his organisation effectively in competition with the NT Government and begged the question of 'How do you compete as a private enterprise against government departments?'[66]

4.78 The NT Government's Minister for Disability argued that for some types of allied health services, and in some areas, there is no other option but to restrict the service delivery to only the NT Government:

> The experience to date has highlighted gaps in the NDIA service delivery model in particular and around the coordination of disability supports and allied health services. There is no provision in a participant support plan for coordination of allied health supports. The Office of Disability has provided this coordination of allied health services for the trial due to the small numbers; however, it is not feasible on a larger scale. Under the NDIA model, a client may receive allied health services from three different providers, further exacerbating the fragmentation of services and required coordination. In addition to the implementation of a participant's plan is the reliance on a service provider to coordinate the disability supports for an individual. In the Barkly it has been difficult to identify service providers to provide this service.[67]

4.79 According to the NT Government's Office of Disability, service providers 'are inconsistent in their availability to provide services',[68] which leaves the responsibility of coordinating services with the NT Government. The Minister continued with the conclusion that the unfortunate consequence of thin markets in remote areas is that the principle of choice and control that may be evident elsewhere will have to be sacrificed to ensure access and equity of services:

> Whilst the principle of choice and control is supported by the Northern Territory it is not going to be feasible in thin and non-existent markets. In

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65 Mr Darrin Whatley, Darrin's Mechanical Repairs, *Committee Hansard,* 21 July 2015, p. 4.

66 Mr Cameron Croker, Keep Moving Pty Ltd, *Committee Hansard,* 21 July 2015, p. 10.

67 Hon. John Elferink, Minister for Disability Services, NT Government, *Committee Hansard,* 21 July 2015, p. 29.

68 Hon. John Elferink, Minister for Disability Services, NT Government, *Committee Hansard,* 21 July 2015, p. 26.

> many instances the focus in remote areas needs to be on access and equity as a first step.[69]

4.80 In the field of mental health, the committee heard how PHaMs evolved to become a very different model in remote areas, as distinct from its design in metropolitan areas. CatholicCare NT were concerned that they could not engage fully with the NDIS because they couldn't see how the scheme was going to improve the lives of their current clients with mental illness. They suggested that the NDIS should follow the example of PHaMs, which was designed for remote areas, and not simply a variation on the metropolitan scheme:

> We are really struggling to see how, from a mental health perspective, things are going to be better for people with a mental health issue in Barkly. From what we see there are going to be fewer services available to them once the trial comes to a full realisation… We have talked a lot about it, but we are not really seeing what the proposed changes are. For us, it feels like it is not so much a trial but a transition, and that is quite different. Our experience, even with the PHaMs program, is that it was originally a national model and then it went to a remote model. You would think the same would have to apply here: there needs to be a remote model rather than a tweaking of the southern model.[70]

Providing support to attract new suppliers

4.81 According to the Strategy, the 'NDIA will ensure information and data on demand, population and services is available to suppliers to highlight market opportunity and support strategic supplier investment decisions in specific market segments, such as specialist areas of allied health.'[71] This is an issue that has been repeatedly raised with the committee as being a crucial role for the NDIA in supporting organisations that are considering the risk in expanding into particular disability areas.

4.82 The ACT Government told the committee of the assistance they provide to organisations requiring support to make the transition into the Scheme, or sometimes even into the sector, to encourage providers to fill gaps in the market:

> We were also looking to encourage services that were prepared to extend out into areas where there were market gaps. For example, a number of homelessness services who had of course been dealing with people who may have had a mental illness or an intellectual disability over time had already been working with people with a disability but they did not traditionally see themselves as a disability provider. We were able to give

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69 Hon. John Elferink, Minister for Disability Services, NT Government, *Committee Hansard*, 21 July 2015, p. 26.

70 Ms Jane Lloyd, CatholicCare NT, *Committee Hansard*, 21 July 2015, p. 14.

71 Disability Reform Council, *Integrated Market, Sector and Workforce Strategy*, June 2015, pp 12, 17, available at: https://www.dss.gov.au/sites/default/files/documents/07_2015/ndis_integrated_market_sector_and_workforce_strategy_june_2015.pdf (accessed on 28 July 2015).

> them some assistance to work with their business models so that they could move in and address that issue of additional workers and additional services.[72]

Building quality systems and effective safeguards

4.83 In February 2015, the Department of Social Services launched the consultation paper, *A Proposal for a Disability Insurance Scheme Quality and Safeguarding framework.*[73] The paper considered a number of options that provide necessary safeguards for all stakeholders in the Scheme, as well as mechanisms to ensure that quality services are delivered consistently across the country. The consultation process ran from February 2015 until 30 April 2015.

4.84 At the time of writing, a final national framework had not been agreed by all states and territories and the commonwealth. Whilst the committee heard some discussion about the prospect of the framework being developed, there was little discussion over what a final framework would look like.

4.85 Needless to say, the committee is cognisant that a major element in the success of the Scheme is its ability to meld the former state-based quality and safeguard mechanism into a coherent national system. This will be something that the committee will closely monitor.

Developing effective pricing

4.86 Appropriate pricing is a significant issue for providers looking to transition from a block funded business model to a fee-for-service model. Pricing will determine the sustainability of an organisation and its ability to participate fully in the Scheme. While the broad issue of pricing was raised across the trial sites visited in the reporting period, most of the detailed accounts came from providers in the ACT trial site.

4.87 Carers ACT recounted their experience with managing a small respite house that they have calculated will be unsustainable within the current NDIA pricing structure:

> We have had a smaller centre-based respite house. We did our calculations and we worked out that the pricing of the NDIA would not be able to make that facility sustainable. We have moved to a bigger house, but with the transition funds that we got from the ACT government we did pricing modelling and we would really only be able to break even on a one to five ratio. So we actually do not see that centre-based respite will be sustainable into the future.[74]

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72 ACT Government, *Committee Hansard*, 27 March 2015, p. 44.

73 A Proposal for a Disability Insurance Scheme Quality and Safeguarding framework, available at: https://engage.dss.gov.au/ndis-qsf/consultation-paper/ (accessed 18 August 2015).

74 Ms Dee McGrath, Carers ACT, *Committee Hansard*, 27 March 2015, p. 8.

4.88 Just Better Care raised the issue of cancellations in the pricing structure, again contending that provision of services where they are only reimbursed for a proportion of a cancelled service will ultimately make the service unsustainable:

> There is another issue around the cancellation policy, which has been reviewed but still has some significant issues in it. This has been raised by some of our staff: currently if they turn up to a service and that service is cancelled for whatever reason, there is an ability to bill for one hour of that cancelled service. Those shifts may be five or six hours long, and these are individuals who are relying on that income to operate in the space as support workers. We have had a couple of our support workers come back and say: 'If I consistently get cancellations with a particular client I am not going to be able to keep supporting that client, because I need that income.'[75]

4.89 DUO Services in the ACT supported Just Better Care's point on the cancellation policy, telling the committee that their services are only sustainable under the NDIS because they are cross subsidising the services through block funding they receive from DSS for provision of Aged Care services. If they were to move to a strictly fee-for-service model they are unsure they would be able to continue:

> **CHAIR:** Are you cross-subsidising from your other programs?
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> **Ms Pollard:** Yes, and part of the work that we are currently doing is to determine how sustainable that is. At the moment, because we have block funding, it is sustainable, but as that peters out and we are fully into the NDIS, we do not know. To be honest, it is a blessing that DSS will continue with the current pricing in the aged-care reforms for the next two years. That is very beneficial.[76]

4.90 Community Connections provide coordination and plan management services in Canberra and argued that the current price for coordination does not cover their costs:

> Quite simply, the price for coordination services in the schedule is not enough to cover our unit costs. Community Connections is a small local organisation and we provide one-on-one coordination supports. The hourly cost for coordinating services is $51.86 per hour, and this is barely sufficient to cover the direct cost of employing a coordinator, assuming standard productivity of around 70 per cent.[77]

4.91 The committee also heard from witnesses in WA who also recounted their experiences with trying to provide services under the MyWay pricing structure. Lamp Inc. are a small mental health organisation who run a centre for consumers and carers in a range of activities. Prior to entering the MyWay Scheme they were running a service on the basis of $90 per hour. They told the committee they had put forward a proposal to provide a service for $45 per hour, but were only offered $18 per hour

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75 Mr Fergus Nelson, Just Better Care, *Committee Hansard*, 27 March 2015, p. 13.

76 Ms Cheryl Pollard, DUO Services, *Committee Hansard*, 27 March 2015, p. 16.

77 Mr Ian Ross, Community Connections, *Committee Hansard*, 27 March 2015, p. 19.

which would naturally make the service unsustainable and result in a loss of choice for the consumer:

> Lamp put together a proposed package for these people that would be approximately $45 an hour for a minimum of three hours a day for approximately two to three days a week… With the number of participants, Lamp could deliver a service which had been asked for by our clients—and this was put forward. However, we have only been offered $18 an hour per person by the Disability Services Commission. It will be mathematically impossible for us to keep the centre open once it closes in June.[78]

4.92 In the broader pricing discussion Richmond Fellowship, working in WA, suggested that the onus was on providers to elucidate the complexity of the services they provide in order for the pricing to reflect this accurately:

> The other implication for this is pricing. There are two levels of work here. One is that if you are doing absolute baseline, keep people where they are, disability support—for example, helping somebody go shopping—I can see that some of the rates that are set for that at the NDIS and MyWay, but there is another level. I think the onus is now on the mental health sector—I think the NDIS is looking at this—to start naming the complexity of some of their work and also some of the contingencies you need to build in. I want to flag that because Richmond Fellowship cannot do without incurring quite significant losses.[79]

4.93 Just Better Care in the ACT also commented on the general issue of benchmarking to set prices for certain services. According to their CEO, Mr Fergus Nelson, the process of benchmarking, the types of service delivery and the nature of the providers do not accurately represent the type of services Just Better Care provide. Just Better Care argued that such providers are therefore not an appropriate comparator:

> I am very concerned with the benchmarking they have used to assess where they set the pricing for all the service providers in this space. There has been Ramsay Health Care, Pulse Health, residential aged care and even a Canadian model, which have very little if anything to do with the way we all deliver our services. It seems quite ludicrous that those have been plucked out…Having taken those organisations, who are very centre based in fixed locations, as the model, they have then picked almost the minimal margin.[80]

Travel and transport

4.94 Travel time and travel and transport costs continue to be an ongoing issue across the trial sites. The issue is exacerbated in rural, regional and remote locations. Providers in the ACT cited a number of examples where the time allocated for travel, or the costs of travel, has a detrimental impact on the delivery of services. DUO

78 Mrs Lorrae Loud, Lamp Inc., *Committee Hansard,* 8 April 2015, p. 16.

79 Ms Helen Lynes, Richmond Fellowship, *Committee Hansard,* 8 April 2015, p. 23.

80 Mr Fergus Nelson, Just Better Care, *Committee Hansard,* 27 March 2015, p. 15.

Services operating in the ACT discussed how the service provider and the client are disadvantaged by the current situation:

> [T]he first 20 minutes in a session, of up to four hours provided by a support worker, is counted as travel payment. To my way of thinking, everyone loses out—the client gets 20 minutes less, the support worker gets paid 20 minutes less and the provider bears the brunt of it. We have spoken to the NDIA and they are doing their best through the planners to inform the participants of this change, but they are not getting it. The providers are feeling that they are being ripped off. The way it has been set up really needs to be addressed.[81]

4.95 Ms Leslea Geary, a legal guardian to three NDIS participants, also cited the travel time of 20 minutes for every four hour shift as an issue for participants who may be receiving their services in shorter time blocks, or who have a relatively low number of hours of a service as part of their plan:

> I use one- and two-hour shifts because of the specific needs of my children and because we do not have a lot of hours and we need to make them last the year. It is not in my interest to have a four-hour shift just to avoid that, but it does mean that my 48 hours a year, for instance, for evening support, are cut down by six to 12 hours, depending on how I arrange it, and I do not think that is reasonable.[82]

4.96 In WA, Dr Chalmers from the Disability Services Commission said that the intention of the My Way scheme is that travel components would be incorporated into plans under the same criteria of 'reasonable and necessary'. However, they do try to ensure that services are delivered as locally as possible:

> [T]ravel is built into people's individual plans. What we are attempting to avoid, though, under the banner of reasonable and necessary, is having people travel 100 or 150 kilometres to get to a centre to undertake centre-based activity at some public service travel rates of 76¢ per kilometre, potentially adding $150 to an hour of support on that front. We are interested in providing reasonable and necessary travel components and funding that within individual plans…[83]

4.97 In response to questions Dr Chalmers suggested that under the criteria of reasonable and necessary the Scheme 'would be building that into individual plans as people indicate to us that they want to access services in particular locations.'[84]

4.98 Transport costs were also raised in trial sites, with confusion arising over the amount in a plan that could be attributed to transport costs there was capped. Ms Geary in the ACT gave evidence that they were given the impression that there was a

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81 Ms Cheryl Pollard, DUO Services, *Committee Hansard*, 27 March 2015, p. 15.

82 Ms Leslea Geary, *Committee Hansard*, 27 March 2015, p. 29.

83 WA Disability Services Commission, *Committee Hansard*, 8 April 2015, p. 17.

84 WA Disability Services Commission, *Committee Hansard*, 8 April 2015, p. 19.

limit of $3 300 per year for transport, and this wasn't enough to cover the costs incurred in accessing services.[85]

4.99 The ACT Public Advocate also cited the figure of $3 300 as being the limit per client for travel costs, suggesting that their clients may be expected to self-manage transport costs. This could result in this relatively small annual amount being subject to brokerage costs of up to $500:

> The pot of money for transport, which could be $3,000 or less, will not be managed by NDIS, will not be managed by the public trustee and cannot be managed by the clients themselves. We are getting funding lines now to broker a service solely to manage those transport costs. The cost to the NDIS for that service is about $500 a year for a pot of money that at maximum is $3,300. For us, that is bureaucracy gone mad.[86]

4.100 The NDIA told the committee that there is not a cap on transport costs, but there are guidelines that may be misinterpreted as a cap. The Agency also confirmed that they do not manage transport funds and that this is currently the responsibility of the participant:

> They are guidelines, and the staff right across trial sites have been trained in terms of when they would typically apply and then when you have a situation that means that someone has a set of circumstances where that degree of funding is not going to be adequate to support their needs…
>
> In regard to the transport package to an individual, the agency currently is not managing that line item, to create greater flexibility for somebody in how they purchase that.[87]

4.101 When asked about the 20 minute travel time incorporated into each service, the Agency verified that that was correct and was developed as a result of an exercise undertaken between the Agency and two independent experts. However, the Agency did say that the work is ongoing:

> The most appropriate response that came out of the pricing work that was done, the joint work done between NDIS and the agency, with two independent experts, the copy of that report is on the website for anyone to access.[88]

Committee view

4.102 One of the overriding perceptions the committee has taken from the last year is the heightened intensity in all aspects of the Scheme, and how quickly the Scheme is developing and adapting. This has arisen partly in response to lessons learned from the first four trial sites and the experiences of key stakeholders. A feature of the

85 Ms Leslea Geary, *Committee Hansard,* 27 March 2015, p. 30.

86 Public Advocate of the ACT, *Committee Hansard,* 27 March 2015, p. 32.

87 NDIA, *Committee Hansard,* 27 March 2015, pp 51-52.

88 NDIA, *Committee Hansard,* 27 March 2015, p. 52.

committee's role is to collate the experiences of stakeholders in the Scheme and relay those experiences to the Agency, DSS and governments generally.

4.103 The overarching strategies that are now being put in place across a number of policy areas are central to the infrastructure of the Scheme and will underpin the Scheme's rollout nationally. While there are still significant areas where the committee has yet to see the culmination of the government's efforts in policy areas such as housing, Tier 2, (ILC), and mental health, the committee welcomes the recently released strategies on sector and market development.

4.104 The committee held a number of very valuable sessions across trial sites with providers who elucidated their experiences. A number of key messages were raised that the committee wants to ensure the Agency and DSS are fully cognisant of. The first of these issues is the capacity of organisations to adapt their business model in order to transition from a block funding arrangement to a fee-for-service model.

4.105 The ACT Government is further advanced in terms of sector development and provider engagement than others. The territory has received substantial sector development funds from the SDF and is utilising these funds to provide assistance to current providers and develop the market to attract new suppliers. The committee found the providers in the ACT to be very engaged and increasingly confident in transitioning to a new business model. However, the sustainability of organisations through the transition phase remains a critical issue.

4.106 After years of being unable to build reserves under previous block funding arrangement, many of the organisations that will be crucial to the success of the Scheme are being asked to invest heavily in a new business model. In response, the ACT Government has developed a range of funding and assistance measures that will help in preparing an organisation for the transition. Small and medium grants and tender opportunities will help organisations transition, but it will require ongoing efforts to develop the market to attract new suppliers.

Recommendation 6

4.107 The committee recommends that Department for Social Services work with the National Disability Insurance Agency, and state and territory governments to ensure that sector development funding and assistance measures are flexibly designed to support organisations transition into the NDIS and become sustainable service providers.

4.108 The committee found that there were several issues common across trial sites relating to how providers and the market develop. In Queensland, the main issue is sector readiness, where information flow and accessibility are key to ensuring that the sector has a full understanding of the scale of the change to come. The committee urges the Agency to work with the sector in identifying gaps in knowledge. An emphasis on sharing of knowledge and experiences from other trial sites will help alleviate the feeling of uncertainty that the committee heard was prevalent.

Recommendation 7

4.109 The committee recommends the National Disability Insurance Agency facilitates information and knowledge sharing from other trial sites across the disability and community sectors in Queensland.

4.110 The experience so far in the WA NDIS MyWay site around therapy and assessments illustrates how critical the interface with mainstream services is to participants and providers. The current situation where some services in some areas are still delivered through mainstream government departments causes confusion amongst participants as well as uncertainty in terms of market assessment amongst providers. The committee looks forward to clearer pathways being developed following the conclusion of the bilateral negotiations that set out clearly the responsibilities of the NDIA, DSS and the states and territories.

Recommendation 8

4.111 The committee recommends that the roles and responsibilities of each party in relation to the interface between the Scheme and mainstream services are clearly set out in bilateral agreements between the commonwealth and state and territory governments.

4.112 The committee also visited the Northern Territory and heard invaluable evidence of the difficulties in delivering to thin markets in rural and remote areas. The tasks are huge, and will require creative and innovative thinking to ensure equity and choice of quality services. The committee heard evidence from the NT Government around whether it will be the only service provider in remote communities in NT, and the impact this would have on the development of a market to provide choice and control to participants. The committee is aware that these issues are central to the bilateral discussions currently ongoing between the Commonwealth and NT Government, and looks forward to seeing the culmination of those efforts. However, the committee feels strongly that the status quo in terms of service delivery should not be an option.

Recommendation 9

4.113 The committee recommends that all options to develop a market that provides choice and control for participants in rural and remote areas be explored, and that any additional funding for disability in the Northern Territory to any provider is conditional on measurable increases in service provision.

4.114 The committee is aware of the potential disparity between projected figures for Aboriginal and Torres Strait Islander people with disabilities, and those entering the Scheme. It is crucial that research is carried out to provide a robust benchmark figure to inform participant assumptions in these communities and avoid a potential costly financial blow out, as well as risking reduced participation for people in need.

Recommendation 10

4.115 The committee recommends the Commonwealth government provides funding for research to establish robust data on the scale and nature of disabilities in Indigenous communities.

4.116 Overall, the committee considers the development of the sector to the point where it can deliver the Scheme to be on track. There are huge challenges ahead in all states and territories, and the risks and gaps that develop will need to be monitored vigilantly. However, perennial issues continue to flourish–adequate pricing, cancellation rates, transport costs and lack of clear communications–all issues repeatedly identified that the Agency needs to urgently address to ensure confidence in its ability to administer the roll-out effectively. The publication of the *Integrated Market, Sector and Workforce Strategy*, and the revised *Sector Development Fund* are important federal oversight measures in maintaining the focus on the provider aspect of the Scheme. They also provide a clear vision of the Government's priorities and should allow existing and new providers to plan their transition and entry into the market with more certainty, providing the Agency manages the 'housekeeping' effectively.